

Longer Term Funding for Councils – proposal from the Industrial Communities Alliance

Purpose of Report

For decision.

Is this report confidential? No

Summary

The Industrial and Communities Alliance (an all-party association of local authorities in the industrial areas of England, Scotland and Wales) is seeking LGA support for the case, to HM Treasury, for longer-term funding for local and regional development. The Alliance made a presentation on this to the February meeting of Economy and Resources Board. The Board supported the case as outlined in the paper and recommended it go to the Executive Advisory Board to seek full LGA support.

LGA Plan Theme: A sustainable financial future and Stronger local economies, thriving local democracy

Recommendation(s)

That the Executive Advisory Board support the case for longer term funding for local and regional development, from the Industrial Communities Alliance, as recommended by the Economy and Resources Board, and include this in future lobbying of the Government.

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Background

1. The [Industrial Communities Alliance](#) (ICA), an all-party association of local authorities in the industrial areas of England, Scotland and Wales, is seeking LGA support for the case, to HM Treasury, for longer-term funding for local and regional development. A list of members of the ICA is attached as appendix 1 to this report.
2. Also appended to this report is a paper by the ICA (see appendix 2), published last year, and endorsed by its members. The report has been discussed with officials at DLUHC and HM Treasury and shared with the then Levelling Up Minister. Members are asked to consider whether they will endorse supporting the case for longer term funding outlined in the paper.
3. On behalf of the ICA, Councillor Sir Steve Houghton and Chris Whitwood (Senior Policy Officer) presented this proposal to the February meeting of Economy and Resources Board. The Board supported the case for longer term funding for local and regional development, as outlined in the paper, and recommended it go to the Executive Advisory Board to seek full LGA support. Councillor Sir Steve Houghton is attending the meeting today and will make a short presentation on behalf of the ICA.
4. The ICA paper concentrates on the system for funding local and regional development, much of which is long term capital infrastructure. This includes the following existing levelling up funds: Towns Fund, Future High Streets Fund, Levelling Up Fund, UK Shared Prosperity Fund and the Community Renewal Fund. As outlined below, the paper highlights problems with the current funding arrangements for such programmes, particularly fragmentation and short-termism with finance typically being made for a single spending review period.
5. The ICA's proposal sets out some specific ideas on:
 - what funds could be consolidated;
 - how this could be delivered pragmatically and through future funding rounds;
 - how it would work in practice (e.g. dealing with concerns of the Treasury and the Government on spending controls, performance management, devolution and ministerial discretion).

Key points from the ICA proposal

6. The ICA describes the current system for funding local and regional development as too rigid, short-term (typically a single spending review period which has

recently been 3 years or less) and in practice is a year less than this because of the time government takes to put the funding architecture in place.

7. It argues that this leads to sub-optimal outcomes and poor value-for-money; is an obstacle to longer-term transformational projects; makes capital projects difficult as there is often insufficient time to properly work up and commission projects; undermines revenue-funded schemes particularly in the recruitment of staff; and results in rushed local spending plans and inadequate input from stakeholders. The ICA argue that 'shovel ready' schemes tend therefore to be favoured.
8. The paper calls for a compromise that balances the need to maximise local and regional benefits (and thus value to the taxpayer) with the Treasury's need to maintain financial control.
9. It offers an option which would be to select relevant funds - broadly funding for levelling up and replacement EU funding (such as the UKSPF) - and then to earmark a proportion of these to be spent beyond the end of each Spending Review period. In effect, some of the funding would be allocated across two Spending Reviews – perhaps up to six years ahead. The ICA make the point that the Treasury already has experience of doing something similar through previously dealing with EU funding rounds, (which lasted 7 years) and the Government already commit long-term funding, beyond a single spending review period, to major infrastructure projects and defence procurement.
10. The paper suggests a starting point for a consolidated, long-term fund to be made up of the existing 'levelling-up' funds including: Towns Fund, Future High Streets Fund, Levelling up Fund, UK Shared Prosperity Fund (UKSPF) etc. And then goes on to explore how the EU funding model could offer a guideline on how much funding would need to be committed in future as well as how this approach could work in practice.

Current LGA views relating to the paper

11. The LGA calls for long-term revenue funding settlements and we have also called for a reduction in the fragmentation of central government funding of local government. The proposals in the paper are clearly strongly in line with both of these. This will be reflected further in work being undertaken in order to influence an incoming government after the election. This includes a paper on local government finance reform we are working on with SOLACE and CIPFA to be brought to the Executive Advisory Board in July, and in the LGA's White Paper.
12. The LGA has long called for longer-term transport funding certainty and flexibility. This call was echoed in the recent [Second National Infrastructure Assessment](#) (NIA) by the National Infrastructure Commission which states : "Government should move away from centrally allocated funding pots for transport and,

instead, implement flexible, long term, devolved budgets for all local authorities that are responsible for strategic transport.” In its [Infrastructure Progress review](#) published in May 2024 the NIA called for five-year settlements for all transport authorities.

13. The LGA backs the National Infrastructure Commission’s calls for the City Regional Sustainable Transport Settlement (CRSTS) to be extended to all other areas. The recent Network North plan starts to do this with the introduction of the new £4.7 billion, 7-year, Local Integrated Transport Settlements (LITS) to those highways authorities outside of Mayoral Combined Authorities (MCAs) in the North and Midlands.
14. The consolidation of local growth funds is an active area of work for the LGA, as well as ensuring there is a smooth transition to new local growth funding regimes. The City Regions and People and Places Boards have commissioned research to review local growth funds and mechanisms in use by the UK government over the past five years and will provide insights and make recommendations on the future objectives, structures and mechanisms for local growth funding. The funds in-scope for this study include: Levelling Up Fund, UK Shared Prosperity Fund, Towns Fund, Community Renewal Fund, Community Ownership Fund, Future High Streets Fund, Growth Deals, City Growth Deals, Regional Growth Deals, Regional Growth Fund, Rural Growth Networks, Enterprise Zones, Freeports, Business Improvement Districts, Investment Zones, Strength in Places Fund. The work will also explore lessons from past funding mechanisms and overseas policy and practice.

Implications for Wales

15. The proposals in the ICA paper are UK wide, and the ICA has members in England, Scotland and Wales. The proposal has been shared with officials from the Welsh Local Government Association who have since been in contact with the ICA.

Financial Implications

16. The work covered in this paper is included in the LGA’s core budget.

Equalities implications

17. There are likely to be equalities issues arising from the work summarised in this paper as the overall approach to funding affects councils and their residents, although it is difficult to assess what individual impacts there are on people with protected characteristics. Improving the funding position of councils, including improving long term certainty, should help them to fund work that improves equalities.

Next steps

18. Members are asked to support the case made in the ICA paper as formal LGA policy, as recommended by the Economy and Resources Board, and to be included in forthcoming lobbying.